

AGENDA REQUEST AND SUMMARY

For: 6/19/2018 (Date of Board Meeting)

(Time, if appointment scheduled with the Clerk)

Consent Calendar: Yes _____ No X
Public Hearing: Yes _____ No X

1. **WORDING FOR AGENDA** (Including precise wording for required action, authorizing, etc. as it will appear on the Board Agenda, generally not to exceed 20 words).

Consideration of approving the Recommended Tuolumne County Budget for Fiscal Year 2018-19

2. **FINANCING – ESTIMATED COUNTY COST:**

3. **FUNDS BUDGETED:** None

4. **REVIEW WITH:**
- | | | | |
|-------------------------------|----|------------------------|----------|
| COUNTY ADMINISTRATIVE OFFICER | -- | YES <u>X</u> | NO _____ |
| COUNTY COUNSEL | -- | YES _____ | NO _____ |
| ADMINISTRATIVE ANALYST | -- | YES <u>X</u> | NO _____ |
| OTHER DEPARTMENTS (LIST) | | <u>All Departments</u> | |

5. **FOLLOWING OUTSIDE AGENCIES OR INDIVIDUALS TO BE NOTIFIED OF BOARD ACTION:** (Minute Excerpt – Include complete mailing address and indicate number of copies to whom)

A. _____
B. _____
C. _____

6. **NUMBER OF COPIES REQUIRED BY REQUESTING DEPARTMENT:**

7. **COMMENTS** (i.e. has this item come before the Board previously and when?) _____

Requesting Department: CAO Submitted by: Craig L. Pedro

Approved by: Craig L. Pedro Date: 6-13-2018



(Department Head Signature)



County Administrator's Office

Craig L. Pedro
County Administrator

Tuolumne County Administration Center
2 South Green Street
Sonora, CA 95370
Phone (209) 533-5511
Fax (209) 533-5510
www.tuolumnecounty.ca.gov

June 15, 2018

TO: Board of Supervisors

FROM: Craig L. Pedro, County Administrator *CLP*
Tracie M. Riggs, Assistant County Administrator *TR*

SUBJECT: Recommended FY 2018/19 Budget

Over the course of the last couple of years, the process of adopting a County budget has been altered. While recommended and final budgets are still adopted, preparation and public dialogue regarding the budget has become almost a non-stop, year-round process. This process now regularly includes: 1) Board Retreat; 2) adoption of Board goals and priorities; 3) early policy direction via Board adopted strategies used in developing recommended budgets; 4) confirmation that the "in process" recommended budget is consistent with the strategies and expectations of the Board; 5) presentations and discussions with the Finance Committee; and 6) implementation of most major personnel and program actions in conjunction with the recommended versus final budget.

The first step of adopting a County budget is approval of a recommended budget before the end of June each year. The second step is adoption of a final budget after a formal hearing in August or September. The final budget incorporates the final fund balance calculations from the Auditor-Controller and impacts related to an adopted State budget.

DEVELOPMENT OF THE FY 2018-19 RECOMMENDED BUDGET

The FY 2018-19 Recommended Budget has been developed in the manner described above and is the product of discussions and Board actions that began in January 2018. The following were the major decision points in that process:

- **January 31-February 2, 2018 – Board Planning Workshop.** The Board and Department Heads participated in a Planning Workshop that culminated in a discussion regarding the County's strategic priorities. The top priorities were: 1) Staffing-workplace culture and employee development; 2) Technology-continue implementation of major IT projects; 3) County infrastructure-invest in

...serving the Board of Supervisors, departments, and the community as good stewards of the County's fiscal and human resources through collaborative, professional and ethical leadership.

maintenance of County buildings; and 4) Finance/Funding-finalize financing for the new County Jail and focus on ways to generate new revenues.

- **February 20, 2018 – “Presentation on the Preliminary FY 2018/19 Budget”.** Staff reported that FY 2018/19 General Fund “budget requests” came in at a projected deficit of \$5.8 million and a “partially adjusted requests” version 5(i.e. department requests with some initial adjustments made by the CAO) reflected a projected deficit of \$4.2 million. The presentation focused on sample strategies to balance current and future years and the Board provided direction.
- **April 3, 2018 – “Presentation and Direction on FY 2018/19 Budget Strategies”.** Based on the recommendation from the Finance Committee that met on March 28, 2018, staff presented the Board with an analysis for a three year outlook. The presentation included refined revenue projections (increases in sales and property taxes) as well as fundamental expense alternatives (reducing mandated costs, rental savings, and local partnerships). In the end, if all of the above were taken into account, FY 2018/19 would be balanced and the next two years could experience shortfalls ranging from \$1.3 million to \$2.8 million without additional actions. Additional “Extraordinary Alternatives,” Revenue Options, and One Time Expense considerations were also discussed.
- **May 1, 2018– “Consideration of Approving Direction to Staff on Development of the FY 2018/19 Preliminary Budget”.** Staff sought Board direction on the development of two versions of a balanced General Fund Budget and provided a tentative schedule to complete approval of the FY 2018/19 Recommended Budget. The first version was reviewed and endorsed by the Finance Committee on April 27, 2018. The two new scenarios varied in that one would contain cost savings related to furloughs.
- **May 29, 2018 – “FY 2018/19 Budget Update”.** The presentation to the Board focused on staff’s effort to bring the FY 2018/19 budget into balance. Staff began with an update on the overall compliance of newly adopted budget policies and then moved into a discussion ensuring the budget maintained the focus of Board goals and priorities (discussed in more detail below). The Board provided direction to return with solutions to fund restoration of: 1) a Supervising Deputy Probation Officer; 2) relief staffing for Animal Control after hour coverage and shelter support; and 3) the Library’s book budget closer to historic levels.
- **June 5, 2018 – “Consideration of Providing Staff Direction on How to Complete Preparation of the FY 2018/19 Recommended Budget and Approve Related Layoffs”.** Staff returned one final time to seek Board guidance and direction on developing the FY 2018/19 Recommended Budget. The updated draft budget contained all three of the items requested at the May 29 Board meeting.

Budget Policy Compliance

Below is a breakdown of how well the tentative Recommended Budget proposal complies with four of the key Board Budget Policies.

- 1. Balance annual operating budgets without the use of one-time revenues (i.e. unobligated/available beginning fund balances and other significant one-time revenue allocations). This policy serves to ensure that ongoing expenses do not exceed ongoing revenues.**

General Fund: Complies. The General Fund has not utilized any beginning fund balance for ongoing operations. The entire beginning balance has been dedicated towards funding contingencies, reserves, paying off debt, and funding one-time expenditures.

Use of Fund Balance:

Estimated Beginning Fund Balance	\$ 1,777,547
Contingencies	\$ 750,000
Reserves	\$ 250,000
Pay off Juvenile Det. Facility Debt	\$ 400,000
Fund LOSAP Pay-off for Fire	\$ 100,000
Match for 2018 Storm Damages	<u>\$ 277,547</u>
	\$ 1,777,547

SB90 State Mandate reimbursements contained in the Governor's budget, if approved, will provide the County with \$439,978 of one-time money. Staff has included this revenue in the budget and is recommending it be applied to help meet one-time storm repair match requirements. This revenue plus, the \$277,547 (see above) provides a total of \$717,525 for storm match.

The Human Service Agency departments have been building contingencies over the last few years in anticipation of forecasted future needs. As a result, each of the departments are currently forecasting to use a portion of their fund balance in FY 2018/19.

- 2. Dedicate unobligated/available beginning fund balances to: 1) establish annual contingencies; 2) pay-off County debts; 3) increase reserves; 4) fund future liabilities; and 5) fund capital equipment, plant and infrastructure needs.**

Complies. As outlined under Policy #1, the entire General Fund beginning balance and one-time SB 90 Mandate payments have been obligated towards meeting each of these categories.

3. **Non-earmarked General Fund Contingencies should be budgeted at no less than 1% of the General Fund budget.** *Complies.* 1% of the General Fund is \$743,945. Contingences within the FY 2018/19 Recommended Budget are set at \$750,000.
4. **Establish General Reserves at 5% of the total operating budget for Governmental Funds (i.e. combined governmental budgets less capital budgets). The County will strive to set aside a minimum of \$250,000 annually until the reserve is fully funded.** *Complies.* The FY 2018/19 Recommended Budget contains \$250,000 to begin building up the County's General Reserves.

The FY 2018-19 Recommended Budget closely follows and reflects the Board direction provided over the course of the last several months. As a general reminder, the FY 2018/19 Recommended Budget:

- Maintains all core County services
- Balances ongoing General Fund expenses solely with ongoing revenues
- Provides \$250,000 to begin building back the County's General Reserves
- Fully funds General Fund Contingences at \$750,000
- Provides \$717,525 towards match for 2018 storms
- Does the above with few staff reductions
- Provides a sound foundation for developing future year budgets

What's Different?

The FY 2018/19 Recommended budget before you today is different than what was presented on June 5, 2018 in that it contains all of the Board direction, as listed above, as well as restores the .50 FTE Office Assistant for the Veterans Office and provides funding for the annual Board Planning Workshop.

SUMMARY OF RESULTING RECOMMENDED BUDGET

The following chart illustrates the change between the FY 2017-18 Adopted Budget and the FY 2018-19 Recommended Budget:

	Adopted FY 2017-18	Recommended FY 2018-19	Change	
General	\$74,487,546	\$74,774,920	\$287,374	.39 %
Governmental	\$177,536,981	\$205,164,748	\$27,627,767	15.56%
Enterprise	\$7,884,699	\$7,267,361	(\$617,338)	(7.83%)
Internal Service	\$18,976,827	\$19,728,141	\$751,314	3.96%
	\$204,398,507	\$232,160,250	\$27,761,743	13.58%
Permanent Employees	637.98	639.28	1.3	0.20%

The **General Fund** will grow by a mere \$287,000 or less than one percent from FY 2017/18.

The most notable change is the \$27.6 million increase amongst the County's **Governmental Funds** (e.g. General, Fire, Social Services, Behavioral Health, Health, County Capital, Airport Capital, Road Capital, etc...). The single biggest factor is the County Capital Fund increasing by \$20 million for the construction of the new County Jail. The Airport Construction Fund increased by over \$1.5 million for major construction projects slated to begin next fiscal year. The Road Construction Capital Fund also increased by \$4 million due to storm damages sustained in March 2018.

The increase of \$700,000 amongst the County's **Internal Service Funds** is primarily due to increased costs for Employee Group Insurance, most of which is reimbursed by the employee.

The **overall budget** will be \$27.8 million higher than last fiscal year. Summary charts (a.k.a. **Schedule 1's**) for each group of funds can be found under *Tab 3*.

PERSONNEL ACTIONS

A list of personnel actions contained in the Recommended Budget can be found on the "**Recommended Budget Personnel Changes**" spreadsheet (*Tab 2, Attachment A*). The net 2.3 FTE decrease in recommended positions is summarized below:

Personnel Actions-Changes in FTE's

General Fund

Treasurer-Tax Collector	(0.5)	Vacant
Assessor-Recorder	(1.0)	Retirement
Probation	(2.0)	1 Vacant, 1 Layoff
Cannabis Enforcement	1.0	Addition
DA-Child Advocacy	1.0	Addition-Grant Funded
CRA	<u>(1.0)</u>	Moved to Solid Waste
	(2.5)	Reduction

Other Funds

Behavioral Health	2.0	Addition-Grant Funded
Social Services	(4.8)	Vacant
Solid Waste	2.0	Addition, Moved from CRA
Roads	<u>1.0</u>	1 Ret., 1 Cut, 3 Additions
	0.2	Reduction

Total All Funds (2.3)

The most significant changes are the 4.8 FTEs being eliminated from the Social Services Fund. These are vacant positions and are not anticipated to have an effect on services.

The resulting change in total **“Allocated Positions by Department”** can be viewed in *Tab 2, Attachment B*.

INFORMATION TECHNOLOGY PROJECT LIST

The Information Technology Steering Board (ITSB) project list is presented for Board consideration. The Project List reflects most of the priority projects discussed with the Board. The recommended list can be found in *Tab 2, Attachment C*.

CAPITAL PROJECTS

The recommended capital project lists for the Road, Airport, County Capital, and Road Construction Funds can be found in *Tab 2, Attachments D, E and F*, respectively.

GENERAL FUND CONTINGENCIES

General Fund Contingencies have been established at \$750,000.

USE OF ONE-TIME DOLLARS IN THE GENERAL FUND

The Recommended General Fund Budget contains two major sources of one-time funding:

Year-End Projected Undesignated Balance	\$1,777,547
SB90 Payments for Prior Years	<u>439,978</u>
	2,217,525

Uses of the estimated beginning fund balance are as follows:

Pure Contingencies	\$ 750,000
Reserves	250,000
Pay off Juvenile Det. Facility Debt	400,000
Fund LOSAP Pay-off for Fire	100,000
Match for 2018 Storm Damages	<u>717,525</u>
	\$2,217,525

Watch List

The following are things staff will be watching as we journey through the 2018/19 fiscal year:

- *General Revenues*: The Recommended Budget assumes continuation of a strong and growing local economy with like growth in our property tax, sales tax and

transient occupancy tax (TOT) revenues. These revenues will be watched closely throughout the year to ensure they are tracking projections.

- *Illegal Commercial Cannabis Grows*: While the Recommended Budget provides enforcement capacity related to personal use grows, it does not provide dedicated resources to address wide-spread, large illegal commercial grows should they develop. Staff would suggest maintaining fully funded General Fund Contingencies to allow for capacity to provide those resources if needed.
- *Measure to Repeal of SB1 on the November 2018 Ballot*: \$2.3 million of new SB1 revenues and projects are contained in the FY 2018/19 Road budgets. Should the SB1 transportation funding package be repealed in November, SB1 revenues will cease being collected, causing the immediate suspension and/or cancellation of work on County roads. Further, aggressive action will need to be taken to rebalance FY 2018/19 Road budgets and the opportunity for future road maintenance work ultimately exceeding \$5 million annually will be lost.

Items for Final Budget Hearing Consideration

Below are requests from two organizations that will be addressed at your September 4, 2018 budget hearing:

- **ATCAA**: ATCAA has submitted two requests. First, the County's base fee for participation in the ATCAA JPA has remained at \$24,000 for decades. The ATCAA Executive Director has requested the Board consider increasing the annual contribution from \$24,000 to \$50,000. Second, due to reductions in federal funding, the County has also been asked to consider backfilling up to \$200,000 to help support ATCAA's Food Bank program.
- **Arts Alliance**: The new Executive Director of the Tuolumne County Arts Alliance has requested the County consider providing \$35,000 to the Arts Alliance in FY 2018/19.

LOOKING FORWARD TO THE FINAL BUDGET HEARING

The final budget hearing is currently scheduled for September 4, 2018. Staff would suggest that the Board consider a two-step process after approving this Recommended Budget:

- Directing staff to schedule an update on the budget in general and personnel changes in particular on August 21, 2018; and
- Directing staff to schedule and notice the FY 2018/19 Final Budget Hearing to occur at 9:00 a.m. on September 4, 2018.

Recommendation

It is recommended that your Board approve the FY 2018/19 Recommended Budget by:

- A. Adopting the FY 2018/19 Recommended Budget as presented;
- B. Approving all associated staffing changes;
- C. Authorizing staff to proceed with acquisition of fixed assets and capital projects prior to the final budget hearing;
- D. Approving the FY 2018/19 Information Technology Steering Board Project List and authorizing staff to proceed with projects prior to the final budget hearing; and
- E. Providing direction on follow-up meeting and hearing dates on the FY 2018/19 Budget as outlined above.

Cc: Department Heads
CAO & HR Staff
All Bargaining Groups

A copy of the full budget package (i.e. budget memo, attachments, controller reports and lineitem details) can be viewed at the following link:
<http://www.tuolumnecounty.ca.gov/budget>